

Brownfields “Nuts & Bolts”



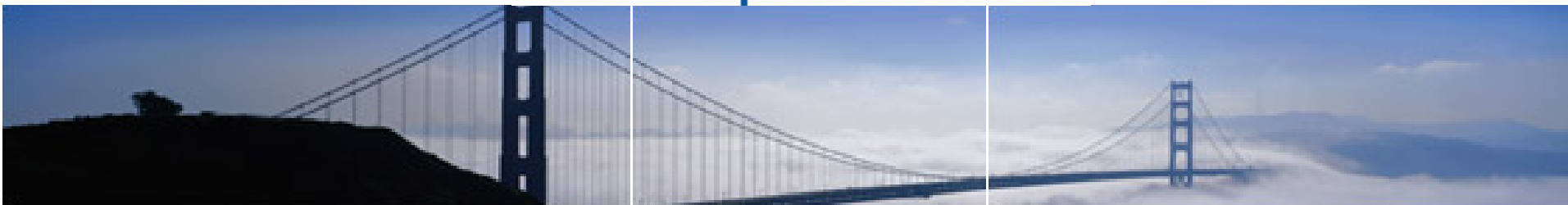
State and Local Brownfield Financing Tools and Approaches

Charlie Bartsch

Vice President, ICF International

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Passion. Expertise. Results.





What this presentation will cover...

State and Local Brownfield Financing Approaches

- State financial support initiatives
- Common local financing strategies
- “Low-cost/no-cost” tools

Brownfield Financing Innovations: What Are the States Doing?

- * 23 states offer tax incentives linked to property assessment and cleanup, or related site preparation*
- * 19 states target financial assistance programs to brownfields*
- * 13 states offer direct financial assistance*
- * 10 states have initiatives to enhance/support the brownfield financing process*

Focus on Missouri – What Brownfield Programs are Available?

- **Brownfield Redevelopment Program**
 - Offers loans, loan guarantees, for properties abandoned or underused for at least 3 years
 - Menu of jobs, investment, and property tax credits, up to entire amount of cleanup
- **Grants (up to \$100,000) to investigate site feasibility**
- **Dry Cleaning Environmental Response Trust Fund provides up to \$1 million per site**
- **SRF/Water Protection Fund can pay for brownfield cleanup**

Focus on Kansas – What Brownfield Programs are Available?

- **Agricultural Remediation Fund**
 - Assist in investigation and remediation of properties sites with ag-related contaminants
 - Direct reimbursement up to \$200,000
 - Low-interest loans up to \$300,000
- **Environmental Use Controls Program**
 - Institutional controls blueprint

Common Local Financing Tools

Putting a Brownfields “Spin” on the Tried-and-True

- Tax increment financing/TIF-type financing
- Tax abatements
- Tax forgiveness
- Special service areas or taxing districts
- Revolving Loan Funds (RLFs)
- General obligation bonds
- Property transfers

Local Initiatives

TAX INCREMENT FINANCING

- Uses the anticipated growth in property taxes generated by a development to finance it; most common local financing tool supporting brownfield cleanup and reuse

Johnson Street Quarry – Minneapolis, MN



- Johnson Street Quarry was a blighted, under-utilized property
- In 1993, a local developer, approached the city with a plan to build a 420,000-sq. ft shopping mall on the site
- After extensive community involvement, as well as strong public/private cooperation, several major national retailers located in the retail center, including Target, Pet Smart, and Rainbow Foods
- **TIF was key to financing site preparation**
- Redevelopment of this property has spurred redevelopment in the surrounding area, created over 2,000 new jobs (much above original estimates) and increased property and sales tax revenues in excess of \$3 million a year.

Parkway Place Mall – Huntsville, AL

- \$60 million in-town mall, replacing abandoned “brownfield mall”
- Huntsville and Madison County contributed \$6 million for parking garage, street improvements
- Special TIF-like taxing district created around the mall, to take advantage of anticipated rise in property values
 - * \$10 million generated used to renovate an adjacent high school
 - * other proceeds will be used recover developer subsidies and reimburse for cost of parking garage



Local Initiatives

TAX ABATEMENTS

- Reductions or forgiveness from tax liabilities, granted for a specific period of time (typically 5, 10, or 20 years); helps project cash flow

Everett Ave. Urban Renewal District – Chelsea, MA

- Blighted 10-acre outdoor storage yard for junk cars and equipment.
- The Wedge Group purchased 2 acres for \$1.2 million to construct a \$17 million, 180-room, full-service Wyndham Garden Hotel
- 10-year property tax abatement key incentive, used to offset site cleanup and preparation costs
- Hotel opened in December of 2000 as the first major hotel within Chelsea
- Hotel employs about 100 workers and generates approximately \$400,000 in sales and income tax revenue annually.



Local Initiatives

TAX FORGIVENESS

- Authorizes local governments to forgive back taxes on delinquent properties
- In a brownfield context, these new tax forgiveness programs are:
 - Linked to new owners or prospective purchasers
 - Require agreement to clean up and reuse site
 - Require purchaser to enter state VCP



Sherman Perk -- Milwaukee, WI

- Abandoned gas station, closed since 1989
- Issues of financing/addressing cost of petroleum contamination; 9 years tax delinquency
- Financing included **state forgiveness of back taxes linked to VCP participation**, rehabilitation tax credits
- result -- reuse of historically significant building as successful neighborhood retail anchor



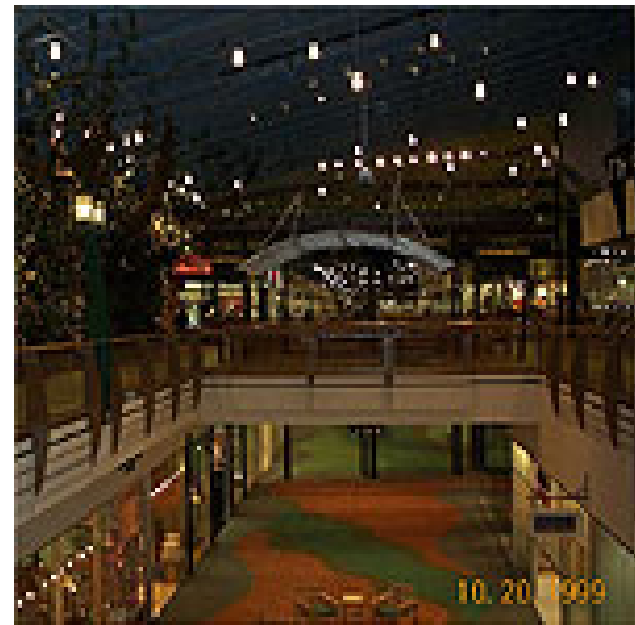
Local Initiatives

SPECIAL SERVICE AREAS OR TAXING DISTRICTS

- Cities can use a “special service area” designation to raise cash for activities, facilities, or bond servicing needed by the target area.
- Property owners agree to the special levy or fee, based on its use in their area to finance maintenance or improvements.
- Property owners may “self-impose” fees as part of a redevelopment agreement.

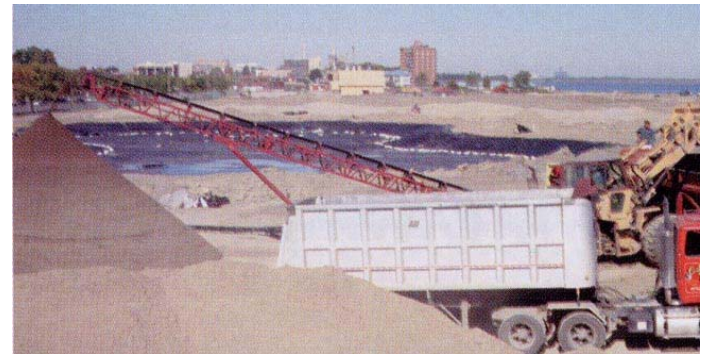
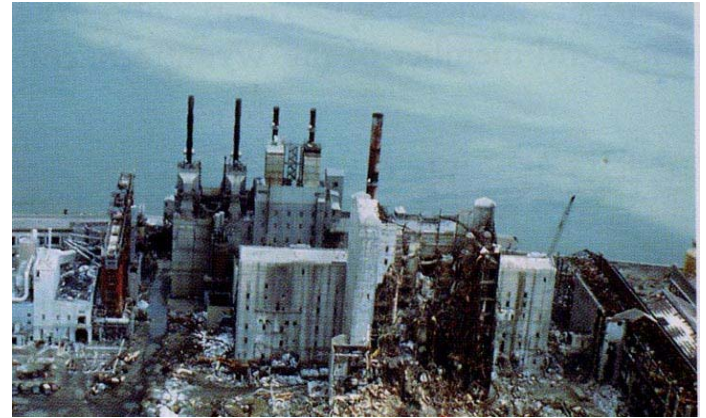
Jersey Gardens Metro Mall – Elizabeth, NJ

- 166-acre former garbage dump, across the street from Ikea Center – Elizabeth's first big brownfield success
- \$320 million investment – 1.5 million square feet of retail space, resulting in 5,200 jobs and \$4.2 million annual tax revenue increase
- Bonds being paid off through franchise fees levied within a "landfill reclamation district" established for this project, paid by mall tenants as part of their rent



Detroit River Chemical Site – Wyandotte, MI

- Defunct, 84 acre chemical manufacturing plant along the Detroit River, converted into a public recreation area and a 9-hole golf course
- User fees have allowed the golf course to be self-supporting and pay for maintenance of the park.



Local Initiatives

LOCALLY CAPITALIZED REVOLVING LOAN FUNDS (RLFs)

- A growing number of cities are establishing RLFs targeted to urban redevelopment and brownfield-related projects; similar to state or federal RLFs.
- They use a wide variety of sources for capitalization – general revenue appropriations, bank contributions, fees or fines, repayments from CDBG or old UDAG projects, etc.

Waterfront Development – New Bedford, MA

- Local RLF set up to pay for Phase I assessments
- Town revenues for initial capitalization
- Combined with nuisance ordinance, uses tax lien as entree to site to perform Phase I paid by local RLF
- Costs recovered upon sale or transfer of parcel



Local Initiatives

GENERAL OBLIGATION BONDS

- Cities typically issue GO bonds for acquiring land, preparing sites, and making infrastructure improvements – key elements in a brownfield redevelopment strategy

Citadel Center – Commerce, CA

- Uniroyal tire factory, shut down in 1978 after 50 years of production
- \$118 million redevelopment as mixed-use commercial office and retail/mall reuse
- \$3 million in bond proceeds used for cleanup and site rehabilitation
- Redeemed from significant sales tax revenues generated by commercial center



Harbor Yard Ball Park – Bridgeport, CT

- The abandoned and contaminated Jenkins Valve site has been redeveloped into a sports complex.
- Bridgeport used GO bonds, as part of a larger public-private financing strategy, to help finance the \$21 million Harbor Yard Ball Park, which opened in 1998.
- The city is using its share of gate and concession receipts to help pay them off
- The success of the ball park led to the cleanup and redevelopment of an adjoining brownfield site into an Ice Arena, which opened in 2002. Both facilities are served by a new intermodal transit center on Long Island Sound, also built on a brownfield site.



Local Initiatives

PROPERTY TRANSFERS

- Site is transferred to new owner or user for a nominal fee, typically \$1, in exchange for an agreement to clean up and reuse the property

Mills of Carthage – Cincinnati, OH



- Abandoned industrial property was transferred to new owner for \$1, in exchange for an agreement to take site through Ohio VCP, clean it up, and reuse it
- First new housing in Carthage neighborhood in 40 years



“Low-Cost/No-Cost” Tools That Enhance the Financing Bottom Line

Institutional controls

- ***California Speedway, Fontana CA***
- ***Cimarron Center, Sand Spring OK***

Innovative remedial technologies

- ***Williamsport retail, PA***

Cost saving technical assistance/project support

- ***Victor Building, Camden NJ***
- ***Dean DeCarli Waterfront Square, Stockton CA***

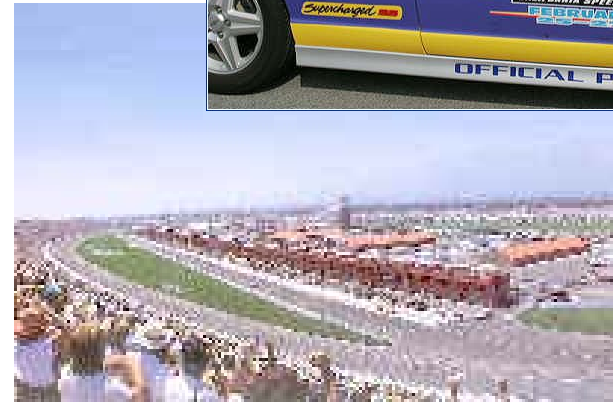
Environmental insurance

- ***Office building, Cambridge MA***

California Speedway – Fontana, CA

Institutional controls

- Speedway on a portion of 23-acre former Kaiser Steel Mill site (from 1942 to 1983)
- Raceway and interior facilities used as an environmental cap, saving hundreds of thousands in cleanup costs
- The California Speedway opened in June 1997
- In 2004, Speedway generated \$12.5 million in economic activity, \$2.5 million in new tax revenues and 1200 new jobs.



Cimarron Center – Sand Springs, OK

Institutional controls

- Former zinc smelter, abandoned rail spur in small OK community
- Challenge was structuring a cleanup plan that made the site cost competitive for big-box retail with nearby greenfield
- EDA planning resources used to develop site plan, including IC strategy
- **Result** – Cimarron Center, with Wal-Mart Supercenter as anchor, has created 350 new jobs, added \$3.5 million in annual city sales tax revenues. Other retail has located within the Center, more expected
- 2004 Phoenix Award winner.



Downtown retail, Williamsport, PA

Innovative technologies

- former airplane engine factory, abandoned nearly 50 years, with groundwater contamination too costly to treat by conventional means
- state and local governments worked with developer to identify innovative cleanup technology that would work within standards of VCP
- ***Result*** – retail complex and parking facility



Victor Building – Camden, NJ

Cost saving technical assistance and project support

- Abandoned former RCA Victor Building on Camden's waterfront, pervasive PCBs
- Site intended for residential re-use; challenge was keeping \$7 million cleanup manageable
- NJDEP provided t.a. to developer, working on remedial and monitoring applications, ICs, entombment of residual PCBs – strategies that allowed cleanup and redevelopment to go forward concurrently, all with considerable cost savings
- **Result** – \$60 million private investment in 341 units, 1st market rate housing built in Camden in 40 years, landmark “Nipper Tower” saved



Dean DeCarli Waterfront Square – Stockton, CA

Cost saving technical assistance and project support

- 10 acre former Stockton Canal, with timber piles installed in the 1950s, and covered with a concrete slab parking lot, gas station, service center
- Major environmental challenges -- rotting timber piles, deteriorating parking lot, petroleum and creosote sediment contamination
- State partnership with city Redevelopment Agency was key – promoted cleanup approach carried out concurrent with redevelopment, cost-effective ICs
- **Result** – restored headwaters of historic Stockton Channel, anchor for downtown revitalization efforts with events center, Cineplex



Genzyme Building – Cambridge, MA

Environmental insurance

- Century-old former Cambridge Gas & Light MGP site, vacant 20 years, significant subsurface contamination
- State subsidized environmental insurance key to leveraging private financing
- Result -- contaminated brownfield site now home to new mixed-use 1.3 million sq. ft. transit-oriented development that is transforming Cambridge's Kendall Square neighborhood. Signature 12-story Genzyme Building is seeking LEED certification





Charlie's contact
information

For further information.....

For additional examples and information....

cbartsch@icfi.com

www.icfi.com